

Squire Patton Boggs (US) LLP
Karol K. Denniston (CA Bar # 141667)
karol.denniston@squirepb.com
275 Battery Street, Suite 2600
San Francisco, California 94111
Telephone: +1 415 954 0200
Facsimile: +1 415 393 9887

Counsel for Syncora Guarantee Inc.

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF CALIFORNIA
FRESNO DIVISION

In re:

TULARE LOCAL HEALTHCARE
DISTRICT dba TULARE REGIONAL
MEDICAL CENTER,

Debtor.

Case No. 17-13797

Chapter 9

DC No.: WW-60

**RESERVATION OF RIGHTS
REGARDING DEBTOR'S MOTION FOR
AUTHORITY TO BORROW AND GIVE
SECURITY**

Hearing

Date: February 7, 2019

Time: 9:30 a.m.

Place: 510 19th Street
Bakersfield, California
Courtroom 13

Judge: Hon. René Lastreto II

Syncora Guarantee Inc. ("Syncora"), by and through its undersigned counsel, hereby files this preliminary response and reservation of rights (the "Reservation") to the above-captioned debtor's (the "Debtor") *Motion for Authority to Borrow and Give Security* [Dkt. No. 1035, DC No. WW-60] (the "Financing Motion"). In support of this Reservation, Syncora respectfully represents as follows:

BACKGROUND

The Debtor issued those certain \$15,000,000 Tulare Local Health Care District (Tulare County, California) General Obligation Bonds, Election of 2005, Series A (2007) (the "Series A GO Bonds") on August 21, 2007. Wilmington Trust, N.A. ("Wilmington Trust"), is the successor

1 paying agent and successor bond registrar with respect to the Series A GO Bonds. At the time of
2 issuance, the Series A GO Bonds were insured by Syncora, which was formerly known as XL
3 Capital Assurance Inc., pursuant to a financial guarantee insurance policy, policy number
4 CA03979A, whereby Syncora agreed to insure the payment of principal of, and interest on, the
5 Series A GO Bonds as and when due.

6 **PRELIMINARY RESPONSE AND RESERVATION OF RIGHTS**

7 As a preliminary matter, Syncora generally supports the Debtor's efforts to conclude this
8 chapter 9 proceeding, including by borrowing funds from the City of Tulare (the "City") to finance
9 its exit from bankruptcy. However, Syncora does object to any financing that would impair or
10 otherwise affect the priority and pledge of *ad valorem* property taxes, including, without limitation,
11 any source of revenue that secures payment of the Series A GO Bonds.¹

12 Notwithstanding this and certain other issues, Syncora, Wilmington Trust and the Debtor
13 are engaged in ongoing discussions over, among other things, the terms of the proposed order
14 granting the Financing Motion. While those discussions have been productive and Syncora is
15 hopeful that a resolution will be reached, no resolution has been agreed to by the parties as of the
16 filing of this Reservation. Syncora's belief and expectation is that these discussions will continue
17 in good faith and ultimately result in consensus among the parties.

18 However, given certain statements in the notice of hearing filed with the Financing Motion
19 [Dkt. No. 1036] that the Court may rule on the Financing Motion prior to the February 7, 2019
20 hearing date and the ongoing nature of the discussions among the parties, Syncora believes it
21 appropriate to file this Reservation. Specifically, Syncora (i) reserves all rights to raise specific
22 objections concerning the Financing Motion prior to or at any related hearing, and (ii) requests that
23 the Court deny the Financing Motion absent a further filing from the Debtor stating that issues
24 related to the Series A GO Bonds have been resolved and that no security interest or lien of any type
25 will be placed on the *ad valorem* property taxes.

26
27 ¹ For the avoidance of doubt, Syncora objects to any financing that grants a right, title or interest, including any liens or
28 other security over, any *ad valorem* or other tax revenues of the Debtor, any subsidy payments to the Debtor under the
federal recovery act with respect to the Series A GO Bonds, any funds held by Wilmington Trust, any rights to receive
the foregoing, or any proceeds thereof.

1 WHEREFORE, Syncora respectfully requests the relief described herein, or such other and
2 further relief as is just and proper.

3
4 Dated: February 4, 2019

Squire Patton Boggs (US) LLP

5
6 By: /s/ Karol K. Denniston
7 Karol K. Denniston
8 Counsel for Syncora Guarantee, Inc.
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28